

**Statement
Of**

**Mr. Donald Chase
Georgia Peanut Commission**

Before the

U. S. House Committee on Agriculture

March 28, 2006

Good Morning Chairman Moran, Members of the Committee, my name is Donald Chase. I am a peanut producer from Macon County, Georgia. I am a board member of the Georgia Peanut Commission and the Georgia Peanut Producers Association. I am also Chairman of the Georgia Agricultural Commodity Commission for Corn.

Our farm is a family farm producing Peanuts, Corn, Sweet Corn and Poultry. My Father, my Mother and myself farm 1,100 acres and produce about 1.5 million broilers annually. My wife of 20 years and I have three children aged 18, 15 and 11. I am a graduate of Vanderbilt University with an MBA in finance and operations management. Returning to the farm was a lifelong dream and it has been both challenging and rewarding. In my opinion, agriculture is one of the basic building blocks for American society. I appreciate where we have been in the past and have great expectations for what the future holds.

First I would like to make some general comments on Southeastern agriculture, followed by some comments specifically about peanuts. It is my opinion that most farmers would like to produce crops and sell them at prices which offer profitability without the need for farm subsidies. Unfortunately this is not possible. The reality is that we operate in a world where we cannot compete in an increasingly global economy. Farm subsidies offer a way to level the playing field. We must have a level playing field

if I am to continue farming and offer my children the opportunity to pursue the same wonderful way of life that I have been blessed with. What does the American taxpayer get from their investment in Agriculture? Here are a few of the benefits:

- Safe, Affordable, Reliable and Secure food supply.
- Numerous environmental and aesthetic benefits.
- Tax base for local governments.
- A part of the solution to reliance on foreign oil.

I am sure this committee is well informed about all these benefits. I just want to applaud your efforts in the past and encourage you to continue your strong leadership in the future.

Next, I want to thank the House Agriculture Committee for its leadership in moving the U.S. peanut program from a supply-management program to a more market oriented program in the 2002 Farm Bill. Your leadership protected those U.S. quota holders who had invested their money in peanut quota for many years. Yet you allowed our industry to move into the future with a program designed to make U.S. peanut producers competitive in both the domestic and export marketplaces.

At our 2002 Southern Peanut Farmers Federation meeting in Panama City, Florida, Congressman Terry Everett told peanut producers that this program should be changed. He encouraged our producers to work with the Congress to create the best market-oriented program possible. We took Congressman Everett's advice.

The new peanut program has encouraged peanut product manufacturers to develop new products and spend more money on marketing these products. Domestic demand has increased for peanut products. The new program has also allowed producers

to more readily enter peanut production. In Georgia alone, peanut acres have expanded significantly with some of the greatest growth in non-traditional peanut areas.

We also believe the peanut program has cost the federal government less than anticipated by the Committee.

The Georgia Peanut Commission has met with other segments of the industry including buying points, shellers and manufacturers and each have indicated they were pleased with the 2002 Farm Bill. Each segment of the industry supported the peanut title of the 2002 Farm Bill.

While the Congress passed a very respectable peanut program in 2002, the administration of the peanut program by the U.S. Department of Agriculture has not been as successful. While the domestic marketplace has seen a healthy increase in demand from consumers and production growth for producers, this has not been the case for the peanut export market. How can this be so when U.S. producers lowered their price support significantly in the 2002 Farm Bill?

The USDA continues to set the loan repayment rate for peanuts too high. Despite language to the contrary in the 2002 Farm Bill, the Department has relied far too much on data unrelated to the price other export nations are marketing peanuts for in the world marketplace. U.S. peanut producers have lost a significant portion of their export market despite the changes invoked by the 2002 Farm Bill. Our present export situation is directly related to the high loan repayment rate set by USDA. Although peanut state Members of Congress have tried to assist producers in meetings with USDA, letters and inquiries in formal hearings since the 2002 Farm Bill, the rate has remained artificially

high. The 2002 Farm Bill directed the Secretary to establish a loan repayment rate that the Secretary determines will:

- Minimize potential loan forfeitures
- Minimize the accumulation of stocks of peanuts by the Federal Government
- Minimize the cost by the Federal Government in storing peanuts
- Allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally.

It is this last point that is most problematic. Georgia growers believe that USDA is not sufficiently considering the competition in the world marketplace. This lack of response to competition from other origins has critically wounded our export programs.

The Georgia Peanut Commission will be meeting with our industry partners in the coming days to develop more specific suggestions for the next Farm Bill and will promptly submit those to your Committee. At present, we support the continuation of the current program but will seek to update specific provisions. When the 2002 Farm Bill was drafted, peanut producers did not envision record high energy prices that impact our major crop inputs including fuel, fertilizer and chemicals. The 2006 peanut crop will feel the full impact of these increased costs. It is important that the next Farm Bill not rest on the backs of declining farm equity. We hope that every effort will be made to insure that

producers who are assuming the risk in agriculture will be the recipients of these programs and incentives.

Finally, our peanut producers in the Southeast are very concerned about the U.S. Trade Representative's recent Doha Round proposal for Less Developed Countries. To allow Less Developed Countries access to markets import and duty free could severely impact U.S. peanut producers. The list of countries involved in this sector produce over twice as many peanuts as U.S. producers. We appreciate Chairmen Goodlatte and Chambliss conveying their concerns about the Doha Round negotiations to the Administration.

I appreciate the opportunity to be here today representing Georgia peanut growers.

Thank you.